

Message Text

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ORIGIN EB-07

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DRAFTED BY EB:DHBURNS:JO

APPROVED BY EB:PHBOEKER

S/S - R. PERITO

S: R. AHERNE

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

LIMITED OFFICIAL USE STATE 230343 TOSEC 270260

TO THE SECRETARY FROM EB - JULIUS L. KATZ-DESIGNATE

E.O. 11652: GDS

TAGS: EFIN, IBRD

SUBJECT: ACTION MEMORANDUM: JOINT LETTER TO MCNAMARA
ON BANK STUDY OF IRB (S/S 7619568)

1. ON AUGUST 26, YOU SENT A LETTER TO SECRETARY OF THE
TREASURY SIMON ASKING HIM TO JOIN YOU IN REQUESTING
MCNAMARA OF THE WORLD BANK TO STUDY THE INTERNATIONAL
RESOURCES BANK WITH A VIEW TO CONSIDERATION OF THE
PROPOSAL BY THE ORGANS OF THE BANK WHEN THE STUDY IS
COMPLETED. AT THAT TIME, YOU FORWARDED THE ATTACHED
DRAFT LETTER TO SIMON.

2. WE UNDERSTAND FROM TREASURY THAT SIMON IS NOW
PREPARED TO SIGN THE LETTER WITH ONE MINOR CHANGE.
TREASURY WISHES TO CHANGE THE CONCLUDING PARAGRAPH OF THE
LETTER TO READ AS FOLLOWS: "ONCE YOUR STUDY IS COMPLETED,
WE LOOK TO THE IBRD/IMF DEVELOPMENT COMMITTEE TO PRODUCE
AN INTERGOVERNMENTAL CONSENSUS ON THE IRB. WE BELIEVE
YOUR STUDY WILL PLAY A CENTRAL ROLE IN THE COMMITTEE'S
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DELIBERATIONS AND DECISIONS." THIS CHANGE MERELY MAKES

EXPLICIT THE PROCEDURE WE ALREADY HAD IN MIND.

3. RECOMMENDATION:

THAT YOU APPROVE THE PROPOSED TREASURY CHANGE.

APPROVE

DISAPPROVE

4. ALSO, THAT YOU AUTHORIZE US TO REQUEST SIMON TO
PUT A COVERING NOTE ON THE LETTER TO MCNAMARA EXPLAINING
THAT YOU HAVE NOT PERSONALLY SIGNED THE JOINT LETTER
BECAUSE YOU ARE OUT OF THE COUNTRY BUT THAT YOU HAVE
APPROVED ITS CONTENTS.

APPROVE

DISAPPROVE

ATTACHMENT:

DEAR BOB:

AS YOU KNOW, WE HAVE FELT FOR SOME TIME THAT A MAJOR
INTERNATIONAL EFFORT IS NEEDED TO EXPAND WORLD-WIDE
CAPACITY IN MINERALS IF RISING WORLD NEEDS ARE TO BE MET.
THE SENSITIVITY OF DEVELOPING COUNTRIES TO PRIVATE
FOREIGN INVESTMENT IN THEIR MINERAL DEPOSITS AND THE
POSSIBILITY OF HARASSMENT AND EXPROPRIATION OF RESOURCE
INVESTMENTS AFTER SUCH PROJECTS HAVE MATURED ARE A
DETERRENT TO RESOURCE DEVELOPMENT IN POOR COUNTRIES. WE
BELIEVE NEW FORMS OF INVESTMENT ARE NEEDED TO OVERCOME
THE MUTUAL RELUCTANCE OF INVESTORS AND HOST GOVERNMENTS.

AT THE SEVENTH SPECIAL SESSION OF THE UN GENERAL
ASSEMBLY LAST SEPTEMBER, WE PROPOSED THAT THE WORLD
BANK GROUP PLAY A FUNDAMENTAL ROLE IN THIS EFFORT,
MOBILIZING FUNDS FROM PRIVATE AND PUBLIC SOURCES, ACTING
AS INTERMEDIARY BETWEEN PRIVATE INVESTORS AND HOST
GOVERNMENTS, AND LINKING PRIVATE AND PUBLIC EFFORTS BY
PROVIDING CROSS GUARANTEES OF PERFORMANCE. MORE
RECENTLY, AT THE UNCTAD MEETING IN NAIROBI, WE EXPANDED
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ON THIS THEME AND PROPOSED AN INTERNATIONAL RESOURCES
BANK TO PROMOTE MORE RATIONAL, SYSTEMATIC, AND EQUITABLE
DEVELOPMENT OF RESOURCES IN DEVELOPING COUNTRIES. THE
RESOURCES BANK WOULD ENCOURAGE JOINT VENTURES BETWEEN
PRIVATE INVESTORS AND HOST GOVERNMENTS, DEFINE THE RIGHTS
AND OBLIGATIONS OF THE PARTICIPANTS, AND PROVIDE
GUARANTEES OF PERFORMANCE. WE HAVE ALWAYS SEEN THIS
FUNCTION AS ONE TO BE UNDERTAKEN BY THE WORLD BANK

GROUP.

OUR PROPOSAL WAS ILLUSTRATIVE IN ITS BROAD OUTLINES
OF THE KIND OF SCHEME THAT COULD MEET THE BASIC NEEDS OF
THE DEVELOPING COUNTRIES AND THE INTERNATIONAL COMMUNITY.
IT WAS NOT A FULLY ELABORATED PROPOSAL.

WE WOULD APPRECIATE IT IF YOU WOULD DIRECT YOUR
ATTENTION TO THE PROPOSAL, ELABORATING IT IN THE LIGHT
OF THE EXPERIENCE OF THE WORLD BANK GROUP, AND THE IFC
IN PARTICULAR, MAKING SUCH MODIFICATION AS YOU MIGHT
CONSIDER DESIRABLE, AND DETERMINING HOW THE FUNCTION
COULD BEST BE PERFORMED WITHIN THE WORLD BANK GROUP
STRUCTURE.

WE WOULD LOOK FORWARD TO CONSIDERATION OF THE PRO-
POSAL BY THE ORGANS OF THE BANK WHEN YOUR STUDY IS
COMPLETED.

WARM REGARDS,

WILLIAM E. SIMON - HENRY A. KISSINGER
SECRETARY OF THE TREASURY SECRETARY OF STATE

DRAFTED: EB:DHBURNS
APPROVED: EB:PHBOEKER
CLEARED BY: S: R. AHERNE

HABIB

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Margaret P. Grafeld
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